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Message Text

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PAGE 01 STATE 155869

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---------- 093211
R 231600Z JUL 74
FM SECSTATE WASHDC
TO USMISSION EC BRUSSELS
USMISSION OECD PARIS

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FOLLOWING REPEAT STATE 155869 ACTION SECSTATE DATED JULY 18, 1974.
QUOTE
C O N F I D E N T I A L

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PASS TREASURY ATTACHE

FOR TREASURY UNDER SECRETARY JACK BENNET FROM ASSISTANT SECRETARY COOPER

E.O. 11652:NA
SUBJECT: GENTLEMEN'S AGREEMENT ON EXPORT CREDITS

1. DELEGATIONS TO THE MEETING ON THE PROPOSED GENTLEMEN'S AGREEMENT WERE UNABLE TO REACH FINAL AGREEMENT, BECAUSE OF INABILITY TO AGREE ON EXCEPTIONS TO THE RULES AND ALSO BECAUSE OF JAPANESE INABILITY TO AGREE TO U.S. INTEREST RATE PROPOSAL.

2. IN ADDITION TO POSSIBLE SECTORAL AGREEMENTS, A MAJOR U.S. EXCEPTION ISSUE WAS RAISED BY CHAIRMAN CASEY, IN INTERVENTION, IN PROPOSING EXEMPTION ON LENGTH OF
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PAGE 02 STATE 155869

CREDIT FOR LARGE PROJECTS INTRINSIC ECONOMIES OF WHICH

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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REQUIRE LONGER MATURITIES. EC REJECTED PROPOSAL STATING
THA EXCEPTIONAL CREDITS WOULD BE THOSE COVERED BY
THE AGREEMENT.

3. ANOTHER ISSUE INVOLVING LENGTH OF CREDIT WAS CONTINUED
JAPANESE INSISTENCE ON EXCEPTION FOR NATURAL RESOURCE
PROJECTS IN WHICH EXPORT CREDITS WERE TIED TO EVENTUAL
IMPORT OF RAW MATERIALS. JAPANESE DEFINED NATURAL
RESOURCES AS MINERALS AND TIMBER.

4. AS REGARDS INTEREST RATES, THE EC WAS WILLING TO
CONSIDER LEVELS HIGHER THAN THEIR 7 PERCENT AND 8 PERCENT
PROPOSAL. INFORMALLY SUGGESTED 7 1/2 PERCENT AND 8 1/2
PERCENT AS A COMPROMISE BETWEEN U.S. AND JAPANESE POSITIONS.
JAPANESE COULD ACCEPT 7 PERCENT MINIMUM RATE ON INDIVIDUAL
CREDITS BUT WERE UNDER INSTRUCTION NOT TO EXCEED THAT LEVEL
AND WERE UNINSTRUCTED ON PROPOSAL FOR 8 PERCENT AVERAGE RATE
INCLUDING CHARGES.

5. JAPANESE AGREED TO REVIEW THEIR POSITION ON INTEREST
RATE AND EXCEPTIONS. U.S. INDICATED ITS POSITION ON
EXCEPTIONS WOULD BE AFFECTED BY THE EXTENT TO WHICH OTHER
COUNTRIES ARE WILLING TO INCREASE INTEREST RATE LEVELS
AND INDICATED OPTIMISM THAT MOVEMENT TO 8 PERCENT AND 9
PERCENT WOULD PROVIDE BASIS FOR AGREEMENT.

6. ALL COUNTRIES APPEAR FLEXIBLE ON DEFINING DISTINCTION
BETWEEN DEVELOPED AND DEVELOPING COUNTRIES. AGREED TO
STUDY EFFECTS OF VARIOUS CUT-OFF POINTS AS APPLIED TO
THE DAC LIST.

7 CANADIAN DELEGATION STATED THEY WOULD PRESENT STRONG
CASE TO THEIR GOVERNMENT TO JOIN THE GENTLEMEN'S AGREEMENT.
CANADIANS FAVORED INTEREST RATE MINIMUMS OF 8 PERCENT AND
9 PERCENT AND LENGTH OF CREDIT MAXIMUMS OF 8 1/2 AND 10
YEARS.

8. IT WAS TENTATIVELY AGREED TO MEET AGAIN ON
SEPTEMBER 10 AND 11 IN BRUSSELS.

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9. I HAVE ESTABLISHED AN NAC WORKING GROUP TO
PLACE RECOMMENDATION ON ISSUES BEFORE NAC ALTERNATES
BY MID-AUGUST. GROUP EXPECTED TO FOCUS ON: (A)
U.S. POSITION ON LENGTH OF CREDIT EXEMPTIONS EITHER
FOR SPECIFIC COMMODITIES OR CERTAIN LARGE PROJECTS
WHERE LONGER MATURITIES ARE INTREGAL TO PROJECT
FEASIBILITY; (B) LDC DEFINITION; (C) STRATEGY TOWARDS
JAPAN AND ALSO EC. KISSINGER UNQUOTE KISSINGER

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